

CHAPTER 29: SERIAL NOTE POOLS — SPECIAL REQUIREMENTS

29-1: OVERVIEW OF CHAPTER

This chapter describes special requirements that apply for a pool of single family, level payment mortgages that is pooled for the issuance of serial notes. The requirements described in this chapter may modify, supplement or, in some cases, repeat for the purpose of emphasis those set forth in previous chapters with respect to mortgage eligibility, pool requirements, required pool submission documents, securities marketing disclosures, and administering pools.

SN pools can be formed only under the Ginnie Mae I MBS Program.

SN pools provide for the sequential retirement of securities units subject to the amount of principal available each month. Each sequentially numbered security unit has a face value of \$25,000, except for the last unit, which may exceed that amount. If the amount collected on the scheduled principal due on the mortgages in any month, along with unscheduled recoveries of principal received during the reporting month and any previously undisbursed principal, is insufficient to retire a sequentially numbered serial unit that is scheduled to be retired in that same month, the issuer must advance corporate funds in an amount sufficient to retire the serial unit as scheduled.

If the scheduled principal due on the mortgages in any month, along with unscheduled recoveries of principal received during the reporting month and any previously undisbursed principal, is insufficient to retire any sequentially numbered serial unit that is not scheduled to be retired in that same month, then no serial unit is retired in that month.

29-2: MORTGAGE ELIGIBILITY AND POOL REQUIREMENTS

The mortgage eligibility and pool requirements that apply, with limited exceptions, to all pool types are found in Chapter 9. The eligibility requirements for Ginnie Mae I SF mortgages found in Chapter 24 apply for mortgages to be included in SN pools. The pool requirements for Ginnie Mae I SF pools found in Chapter 24 also apply for SN pools, except as modified by this section.

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29-3: REQUIRED DOCUMENTS

The procedures and basic document requirements for all pools are found in Chapters 10, 11, and 13.

(A) For Certification by Document Custodian

The loan documents required for initial and final certification of an SN pool by the document custodian are the same as those discussed in Section 13-4. They are summarized in the following table:

DOCUMENT	FORM NUMBER	APPENDIX
FOR INITIAL CERTIFICATION		
Schedule of Pooled Mortgages	HUD 11706	III-7
Release of Security Interest, executed original, if applicable	HUD 11711A	III-5
Certification and Agreement, executed original	HUD 11711B	III-5
Original notes (or, in the case of modified loans, the original notes executed for the modifications) or other evidences of indebtedness, endorsed in blank, without recourse		
Assignments of mortgages or security instruments to Ginnie Mae, in recordable form but not recorded (not required for loans registered on MERS)		
For nonprofit agency section 203(k) loans, FHA affordable housing program letters		
FOR FINAL CERTIFICATION		
Original recorded mortgages (or, in the case of modified loans, the recorded original mortgages, the related original notes, the modification agreements, and any required subordination agreements and/or title endorsements)		
All recorded interim assignments		
Evidence of good title (e.g., mortgage title insurance policies)		
Evidence of insurance or guaranty; signed by FHA, VA, RHS, or PIH		
For RHS loans, Assignment and Assumption Agreement, if any		

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Section 29-3 (continued)

(B) For Approval by PPA and Ginnie Mae

The SN pool documents required for approval by Ginnie Mae are the same as those discussed in Section 10-3, except that, if a pool is submitted in paper submission format, the issuer must also submit a prospectus, form HUD 1734 (Appendix IV-7), which must be modified, if appropriate, in accordance with Section 24-2(B)(3)(c)(iii).

The following table lists the pool documents to be sent to the PPA for approval of SN pools by Ginnie Mae.

DOCUMENT NAME	FORM NUMBER	APPENDIX
Schedule of Subscribers and Ginnie Mae Guaranty Agreement	HUD 11705	III-6
Schedule of Pooled Mortgages	HUD 11706	III-7
Master Servicing Agreement	HUD 11707	III-1
Master Agreement for Servicer's Principal and Interest Custodial Account	HUD 11709	III-2
Master Agreements for Servicer's Escrow Custodial Accounts	HUD 11720	III-3
Master Custodial Agreement	HUD 11715	III-4
Prospectus (for pools submitted in paper format)	HUD 1734	IV-7

29-4: THE SECURITIES

Preparation and delivery of the securities are described in Chapter 12. The text of SN securities is set forth in Appendix IV-12. This section describes additional requirements for issuers of securities backed by SN pools.

Until further notice, serial notes for which pools are submitted using GinnieNET 5.2 will be issued initially in certificated book-entry form. Serial notes for which pools are submitted using paper submission will be issued initially in fully-registered, certificated form.

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Section 29-4 (continued)

Payment of interest must be made by the 15th of each month or, if made by electronic transfer and the 15th day is not a business day, by the first business day following the 15th day of each month on all outstanding serial notes. Payment of principal must be made, subject to the limitations set forth in Section 29-5(A) and (D), when accumulated scheduled principal and unscheduled recoveries of principal are sufficient to retire a serial note unit or units in sequential order.

Each issue will consist of at least 100 consecutively numbered units of equal amounts. The principal amount of each serial unit must be \$25,000, except for the last unit, which may be in a principal amount greater than \$25,000 but less than \$50,000. If serial notes are initially issued in book-entry form, the CPTA will issue to the depository one serial note certificate for each serial unit. Otherwise, a single serial note certificate may represent one or more consecutively numbered serial units.

The maturity date of a serial note issuance will be the maturity date of the last serial unit to mature that is included in that issue, based on the amortization of the mortgage pool assuming no unscheduled recovery of principal.

Example: Serial note unit 37 is part of a \$2,500,000, 9% pool with 100 \$25,000 units. Serial note 37 (\$25,000) will be paid principal only after the preceding 36 serial notes ($36 \times \$25,000 = \$1,550,000$) have been paid in full. That is, \$1,575,000 will have to be paid on the mortgages in order for serial note 37 to be retired. Assuming no prepayments or other early recovery of principal on the mortgages, serial note 37 will pay off in 246 months.

29-5: POOL ADMINISTRATION

General pool administration requirements for all pool types are described in Chapters 14 through 20. This section describes additional requirements for the administration of SN pools.

(A) Payment of Serial Unit and Note at Maturity

The principal amount of each serial unit in a serial note issuance will be paid to the security holder no later than its stated maturity date, whether or not funds have been collected by the issuer from the mortgagors.

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Section 29-5 (continued)

(B) Investment of Undisbursed Collections

Principal retained in the P&I custodial account in anticipation of full payment of a serial unit may be invested in certificates of deposit with FDIC- or FSLIC-insured institutions or in time deposits with Federal Reserve System member banks that satisfy the rating requirements for funds custodians (see Section 16-8). These certificates of deposit or time deposit accounts must be payable in favor of the issuer and/or Ginnie Mae.

(C) Monthly Reporting Requirements

Monthly reporting on SN pools differs from reporting related to other pool types, as follows:

Issuer's Monthly Serial Note Remittance Advice, form HUD 11714SN (Appendix VI-11): Issuers must indicate the following for each serial note:

- (1) the amount of interest payable;
- (2) the principal balance outstanding;
- (3) the unit number and payment date of the last paid serial unit; and
- (4) the scheduled maturity date of the last paid serial unit.

(D) Surrender of Serial Notes at Maturity

Each serial note certificate held in book-entry form must be surrendered prior to the payment of the serial unit it represents. Each serial note that is not held in book-entry form and that represents a single serial unit must be surrendered prior to payment of the unit. Each serial note that is not held in book-entry form and that represents multiple serial units must be surrendered prior to the payment of the highest numbered serial unit represented by the serial note.

The issuer must send a notice to the security holder of each maturing serial note by the second business day of the month in which the payment retiring the serial note is due. This will give security holders sufficient time to surrender the serial note prior to the 15th of the month. Interest will not accrue for the period of any delay in the payment of a serial unit resulting from the failure of the security holder of a serial note to surrender the serial note after proper notice, as specified above, has been given by the issuer.

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Section 29-5(D) (continued)

Serial note certificates surrendered to the issuer are to be delivered to the CPTA (see Addresses) with a letter of transmittal stating that the serial note has been retired.